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SUBJECT: SOUTHEAST TURKEY'S ECONOMY GETTING BY

REF: ADANA 169

11. (SBU) Summary: The southeast's economy is not booming but it is getting by. Fuel smuggling across Van's border with Iran has taken on significant proportions. Van's business incubation center provides an example of local business succeeding at doing things on its own, without Ankara's help. Diyarbakir sees itself as a European entrepot to the Middle East, modeled on Singapore in East Asia. Diyarbakir businesses are seeking expansion of trade with Iraq, and welcome investment from outside the region, but feel that government incentives, though appreciated, are not making a difference in the investment climate. A good deal of money continues to flow across the Iraq border, mostly through foreign exchange bureaus. Many of the southeast's problems continue to be structural in nature. The region requires assistance in dealing with a broad array of women's advocacy issues. More young women are attending school throughout the region, mostly supported by funding from a UNICEF/GOT program. Villagers in the southeast continue to return to their villages, but commitment to village return in some areas remains weak. An NGO in Hakkari is running a small de-mining project and seeks U.S. assistance. End summary.

Van: Fuel Smuggling and a Successful Business Center

12. (SBU) The economy in the southeast is not booming, but it is getting by. In Van province, where Iranian agricultural products, processed foods and light consumer goods have been a staple of area markets, fuel smuggling across the border with Iran has taken on significant proportions. This activity appears to be proceeding with de facto coordination between the government and the local AK party. During a September 28 and 29 visit to Van and Hakkari we saw hundreds of trucks in the process of moving fuel. Van police told RSO that 3,500 trucks have been registered in the province recently; mostly cargo trucks with factory-installed 650 liter tanks. In the small town of Guzelsu, located about 13 miles from the border, we witnessed large numbers of trucks off-loading fuel into other vehicles, barrels, plastic containers and various receptacles. Van's neighboring province, Hakkari, has suffered considerable economic setbacks since the government shut down its official border gate with Iran at Esendere. Still, AKP-governed Van province keeps open an unofficial border crossing point at Albayrak village, where most of the smuggled fuel appears to be entering the province.

13. (U) On a more upbeat note, Van's World Bank-funded Business Development Center provided an example of how local businesses in the southeast are succeeding in doing things on their own. The President of VANSIAD (Van's chapter of Southeast Turkey Business Association) told us that 185 people had been employed over that past four months at Van's Center. He commented that Van's business community was trying to be dynamic enough to turn the physical plant of the Center into a job creation opportunity rather than letting the infrastructure of the failed former parastatal Sumer textile factory go to waste. He reminded us that Van and Tarsus were two such successful Business Development Centers in the southeast, but that similar efforts in Zonguldak and Adana were not working out.

Diyarbakir: Middle East Entrepot Seeks Investment

14. (SBU) ConOffs met with GUNSIAD (Southeast Turkey Business Association) officers in Diyarbakir, which held a trade fair from September 30 through October 3 to attract business from neighboring countries. With Turkey's growing ties to the EU, Diyarbakir sees itself as a new European entrepot to the Middle East, somewhat like Singapore or Hong Kong in East Asia. These goals have the support of both central government and municipal authorities in Diyarbakir. GUNSIAD officials told us that business representatives from Syria, Jordan, Kuwait, Iran and Iraq were in attendance at the fair. With the trade fair in town, Diyarbakir provincial authorities cancelled a pro-EU rally scheduled for October 2, mostly out of security concerns arising from anti-EU sentiment in the country (reftel).

15. (SBU) Diyarbakir businesses are seeking an expansion of trade with Iraq. Kaya Construction Company in Diyarbakir was awarded a contract by TOBB for modernization of the Habur border gate with Iraq. While GUNSIAD and CCI (Chamber of Commerce and Industry) members in Diyarbakir are always looking for opportunities to trade goods, they are trying to drum up possible investment interest in Diyarbakir. GUNSIAD and CCI officers told ConOffs that they welcome investment from outside the region, but have seen no signs of interest from either foreign or Turkish investors. Business contacts told us that government incentives for investment in the region were appreciated, but so far were not making any difference in the investment climate. A Diyarbakir CCI official told us that Diyarbakir-based business operations in Iraq had no problem moving cash across the border. He added that a good deal of money is flowing across the border through foreign exchange bureaus. ConOffs have heard stories about cross-border cash flowing through foreign exchange bureaus from businessmen in Sanliurfa, Adana and Gaziantep. Stories of cash being brought out of Iraq in suitcases also are common.

Continuing Structural Issues: Women's' Advocacy~

16. (SBU) Many of the economic problems in the southeast continue to be structural in nature, with occasional signs of improvement. Diyarbakir's DEHAP mayor, Osman Baydemir, requested American assistance in dealing with a broad array of women's advocacy issues. These included educational campaigns regarding women's rights and against domestic violence, building and operating women's shelters and trying to decrease the number of honor killings through efforts to change traditional Kurdish social structures. Baydemir was pleased when we explained a women's shelter program that the U.S. and UN are working on in Van. He asked that a similar effort be started in Diyarbakir. (Note: Mission Turkey already has proposed such a project to EUCOM as a regional humanitarian effort. Its consideration is pending. End Note.)

~Wasteful Wedding Ceremonies~

17. (SBU) The Mayor offered a personal example of his recent wedding as one possible case where non-traditional marriage customs can succeed among tradition-bound Kurds. He and his new bride recently held a small ceremony with no gifts (normally the party would be a very elaborate affair wherein the couple would receive gifts of gold) and invited only close friends and family; as opposed to the traditional, large, expensive ceremony that can often be burdensome on poor families. He half joked that many Diyarbakir prospective grooms already were thanking him for setting a new trend which would allow cash-strapped young couples to invest in other needed goods rather than elaborate wedding ceremonies. His advisors also considered the move politically astute as they calculated that local tribal leaders otherwise would have tried to use the vehicle of the wedding gift to literally buy favor with Baydemir.

~Girls' Education~

18. (SBU) Most of the Governors, sub-Governors and Mayors we spoke with in Diyarbakir, Bitlis, Van, Ahlat, Hakkari and Baskale said that more young women are attending school in their districts, a development that is largely attributable to funding from a UNICEF/GOT program to promote girls' education.. (Note: The USG has contributed \$9 million to a World Bank/Turkish Social Solidarity Fund program that works through local governors to provide cash payments to low-income families (usually mothers) if they keep their children in school. The fund also pays for boys, but pays more for girls who stay in school. Another component is payments to poor families if they get their infants vaccinated. End Note.) Municipal authorities in Hakkari perceived that the government had shut off payments from the UNICEF/GOT program, though this was not apparent in other municipalities.

~Return to the Villages~

19. (SBU) Local authorities also told us that between Van and Hakkari villagers had returned to about 10 villages, but were maintaining town residences. In practice, they only seem to be going to the mountains for short, summer stays and only during times of tension. On a contrasting note, showing the weakness of commitment to village return, an NGO in Hakkari reported that about 30 village youth had returned to the mountains (reftel).

~and De-Mining Efforts

10. (SBU) AMCON Adana ConOff's further learned more about the impact that mines and unexploded ordnance are having in Hakkari and Van province, where tensions are high and clashes

continuing. The director of a small de-mining project, with Dutch funding assistance and local Army/Jandarma cooperation, detailed how she is trying to build mine awareness at the same time that she weekly learns of those who have lost lives and limbs from legacy mines or unexploded ordnance dating as far back as the 1990's. She asked for U.S. help for de-mining (noting a Jandarma unit was doing a small pilot feasibility project near Yuksekova), building local capacity for explosive ordnance disposal and providing prosthetics for victims. (Note: AMCON Adana is trying to connect her small NGO with U.S. NGO Physicians for Peace which does prosthetic work in Turkey. End Note.)

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